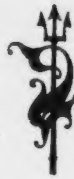
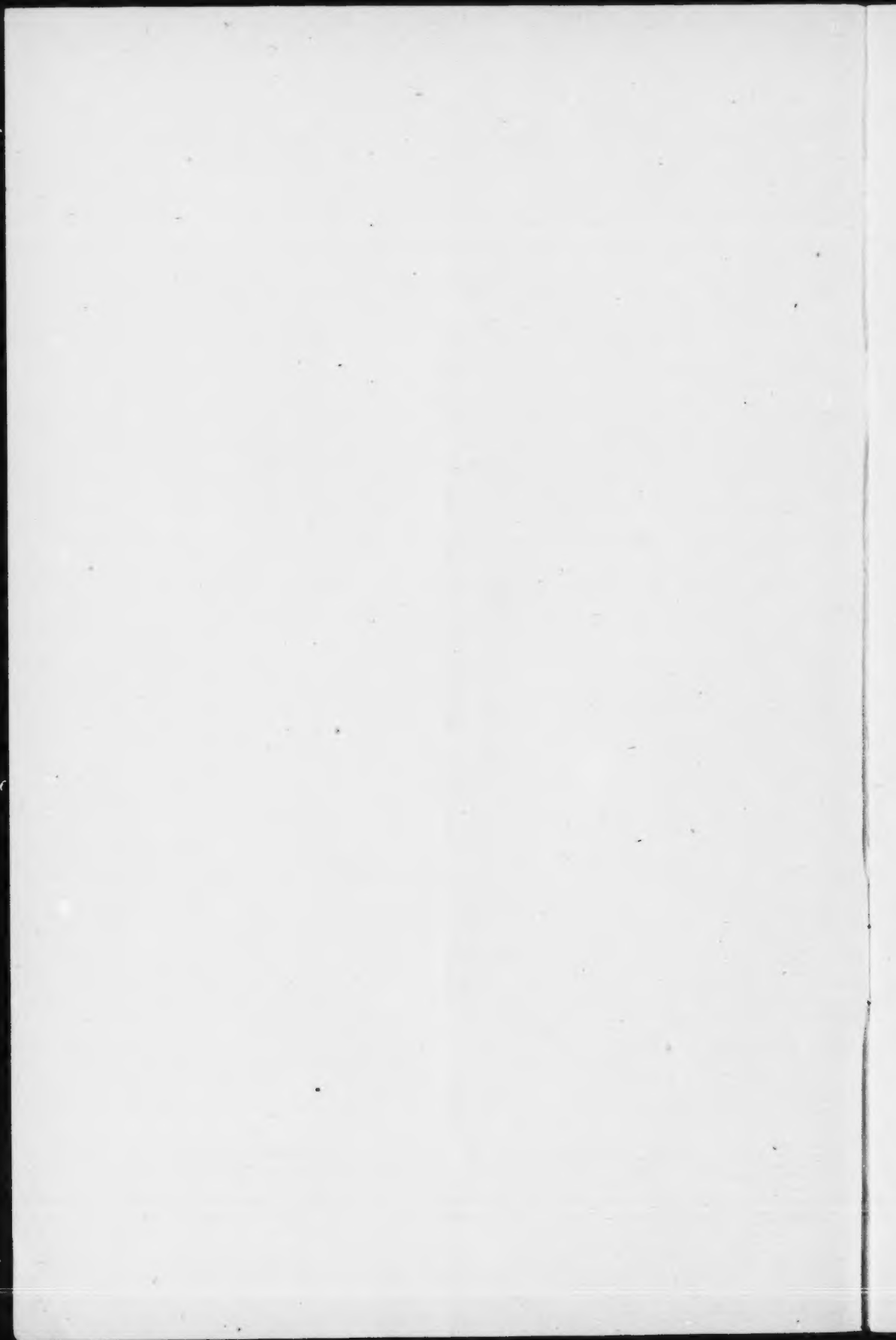


SPAM 16063

The
High Cost of Living
and its
Remedy



By
W. WALLACE, F.R.S.E.
15th Nov., 1919



CHAPTER I.

THE HIGH COST OF LIVING

1. The 19th century has been called "The Age of Steam." The application of steam-driven machinery to every kind of manufacturing process not only deluged the markets of the world with a flood of new commodities; but, by reducing the cost of production, greatly lowered the prices of staple commodities; while, at the same time it permitted a much-needed hoist of the wages of labour. These were the days of free competition in trade.

2. The 20th century commenced by scrapping all kinds of old machinery, gassing its engines, and electrifying humanity. But, instead of administering a further cut to prices, the "New Production" has reversed the movement and sent prices on the rise. The phenomenon is puzzling as well as disconcerting; and has given rise to many theories and suggested remedies; but still the trouble continues, and still the great mass of consumers is kept guessing to make ends meet.

3. To quote the opinion of His Majesty's ministers at Ottawa, through the mouth of the Hon. Mr. (now Sir Thomas) White shortly after the commencement of the war, "The cause of the high cost of living is the lack of production, the natural remedy for which is the encouragement of better farming, closer co-operation between producers and consumers, and more effective occupation of the land." When it is considered that the only thing that effectively stimulates increased production is a rise, or the prospect of a rise, in prices, it will be seen how palpably superficial is the treatment suggested.

4. In discussing this problem, it is necessary at the outset to clear one's mind of the fallacy of the "cash cost of living." The cash cost of living, in fact, may be apparently low, and yet the real cost of living high, if at the same time wages are low, and vice versa. The things that really count are:

- (a) The actual standard of living enjoyed, and
- (b) The margin remaining over the actual cost of living.

5. The thrifty housewife of the wage-earning class has always had to pinch and pare to fill the mouths and cover the backs of her needy family, and make ends meet. The virtue of self-denial, of doing without, has always been one of the cardinal virtues of this indispensable class of society.

The more thrifty have sometimes managed, by dint of self-denial, and persistent frugality, to save a little against a rainy day; but the rainy day has too often been a dependable event; and, when it came, it soon washed away the slender savings that had been hoarded against its coming.

6. It does not detract from the truth of this statement that, during the last quarter of the 19th century, as a result of notable advances in the wages of labour, and as notable reductions in the average prices of staple commodities, the purchasing power of the working classes of England was more than doubled. What then, became of the virtual margin thus created? How did it come that the mothers of the working class had still to cut and carve, and toil and slave, to make ends meet?

7. The answer is to be found in the marked improvement in the standard of living of the working classes which took place in the period referred to. Hours might profitably be spent in studying the marvellous developments of these days of social awakening. How, in the great cities, acres of unwholesome dwellings—rookeries they were sometimes called—were gutted out and razed to the ground; and airy, bright, and wholesome dwellings erected in their place. How the development of machinery and the evolution of department stores brought about the supply of cheap ready-made clothing in bewildering variety and attractiveness. How, by similar means, and especially through the inventions of canning and cold storage, the food products of the whole world were made available for the daily sustenance of the workers of all civilized nations. How schools sprang up all over the country like mushrooms, and children of all sorts were herded into them willy-nilly like so many sheep. How newspapers, magazines, books by the million, were popularized and brought within the reach of the millions of new readers. How public parks and watering places and other holiday resorts, together with cheap facilities for reaching them from the great cities, commenced to brighten the lives of millions of toilers, if only for a few weeks or days every year; while theatres and concert halls multiplied and adapted themselves to the spirit of the new age in providing rational entertainment through the long winter evenings.

8. That the remarkable increase in the purchasing power of the English working class, in the last quarter of the 19th century, was entirely disposed of in raising their standard of living, must undoubtedly be admitted. But, in admitting so much, there is no need to assume that the working class had therefore become extravagant. Their purchasing power might readily have been doubled again without affording temptation to luxury. Nor can it be claimed that the charge

of liquidating its margin in riotous living, which certain worthy persons are apt to advance, is substantiated by the statistics by the period in question. As given by Mulhall (for the U.K.) the annual average consumption of liquor per head, 1861-96, showed no appreciable increase; while the number of persons tried for drunkenness, 1874-94, per 100,000 inhabitants, fell from 812 to 604 per annum. When it is noted that, during this period, the wages of labour increased 40% while the price of beer fell 15%, it cannot be maintained that the working class as a whole took advantage of the opportunity undoubtedly offered to become more addicted to alcoholism.

9. It might be argued that the substantial deposits in the Savings Banks of the day, and the funds deposited in scores of trades unions, benefit societies, and co-operative associations, constitute evidence of the existence of a working class margin. These however were not the accumulations of margins, but the scratchings and parings of self-denying thrift; and how inadequate they were, in comparison with the need of the working class for provision against adversity and old age, may be inferred, not only indirectly from the extensive emigration which took place from the United Kingdom; but also directly from the national insurance legislation inaugurated some ten years ago by Mr. Lloyd George to meet that very need. Such legislation, presumably, would never have been thought of had the working classes been earning a margin over the cost of living, upon which they could have operated practicably to make provision against misfortune and old age.

10. Taking it then as proved that the potential margin created by the increase of purchasing power of the working class during the last quarter of the 19th century, was practically absorbed in raising their standard of living, it is to be remarked that the immediate effect of the measures of public improvement by which that betterment was realized was to make of the working class more efficient workers; and at the same time to create in them a higher standard of taste which found its natural expression in a more generous standard of living; in a word therefore to make them at once better producers and better consumers. As better producers they reduced still further the cost of production of the goods they handled, and so increased the margin of profit accruing to their employers. As better consumers they increased the turnover, and therefore also the total profits, of their employers. It is not difficult to see that, if the employers suffered in any way through the successes of their employees in wresting from them higher wages and easier conditions of labour, they in this way probably got back their own with interest.

11. Labour naturally has continued to struggle for higher wages in the hope of ultimately achieving a margin over the cost of living as a protection against misfortune and old age; and the next stage of the story concerns the answer of the masters to this continued pressure of the men.

12. As by combination the men had placed restrictions on the free competition of labour in the labour market, and so forced the masters, not only to grant increases of wages on demand, but to submit to reductions of the hours of labour and to interference with other details of works organization hitherto the prerogative of the masters; so now the masters also adopted a policy of combination, by company, and trust, and merger, and by "Gentleman's Agreement," and in this way found themselves able to restrict the free operation of the laws of supply and demand as regarded the marketable commodities handled by them, and to control output, wherever and whenever convenient, so as to boost prices at their pleasure.

13. This movement of combination among master producers, distributors and financiers, which has been characteristic of the 20th century, and has developed to greatest maturity on the American continent, has already reached such a degree of completeness that the prices of all staples are now well under control; so that **every encroachment of Labour on Capital is now met by a check advance of prices**, and every advantage gained by the men thus flows back promptly into the coffers of the masters to any extent which they may choose.

14. Great economics, both in production and distribution of staples, have been effected under the new regime, by cutting out useless competition and overlapping, by improving organisation and the listing and classification of world reports of raw material; and by inventions of new machinery and processes and means of storage, etc. All such economics have constituted substantial reductions in the costs of production and distribution, out of which, as active partners in production and distribution, employees had a just claim to advances in wages as their share.

15. But there is, at least, circumstantial evidence to show that it is the practice of organized capital, under the new regime, to count all advances of wages as increases in costs of production, to be charged up to the consumer in corresponding advances of prices. Thus **the immense reductions in cost of production, arising out of the economies just described, over a period of twenty years, must have been appropriated by Capital under the head of profits.**

16. Thus it appears that the phenomenon of what is known as the high cost of living is neither more nor less than the answer of Organized Capital to the continued encroachments

of Organized Labour; and that, so long as Labour continues merely to fight for higher wages and shorter hours, the cost of living will go on soaring higher and higher.

17. It appears also that, although Capital has shown how, under existing circumstances, it can always hold Labour in check and prevent it from achieving a practicable margin over the cost of living with which to finance its old age and days of adversity—and incidentally also its attack on Capital, yet at no time will the working man suffer any serious hardship from the high cost of living: he will always under existing conditions be paid enough to maintain him in a state of working efficiency, as long at least as he is able to secure employment—and his family is not too large for his income.

18. It is easy to see where the shoe ought to pinch. Where, as with the wage-earners, wages advance more or less step by step with prices, no real pinch ensues from successive increases in the cost of living. But where, as with the lower middle classes, income remains fixed, or shows a decided lag in following prices, then more or less hardship accompanies a rising market, and the "High Cost of Living" becomes a cry of distress—a sort of social S.O.S. In the latter case, are those more particularly whose livelihood comes to them in the form of moderate salaries, such as clerks, salesmen, teachers, pastors and the like. Boilermakers or miners can, by threatening to strike, secure an offset in wage increase to meet any appreciable increase in the cost of living; salesmen and clerks, for lack of organisation, can but grin and bear it and hope for better times.

19. It may be argued that that is the price the Bourgeoisie has to pay for the privilege of wearing cuffs and collars every day, instead of having to tuck up its sleeves like Labour. But no class has a right to wish hardship on another—unless it be on loafers; and the world is out today to see what reconstruction can do to end both needless hardship and unjustifiable loafing.

CHAPTER II.

LABOUR VS. CAPITAL.

20. In the Labour Gazette of January, 1919, p. 76, occurs the following statement:

"It was thus shown that to maintain his standard of living "it cost a miner (B.C.) with a family of five to support about

"58 cents a day more, from August to December, 1918, than during the corresponding period in the previous year. This rise in living expenses was exactly counterbalanced by similar increases in wages, authorized by the Director of Coal Operations, in accordance with the agreement. **In order to prevent loss to the mining companies, through increased cost of production, the following advances in the selling prices of coal per ton at the mines were permitted,"** etc.

21. Obviously these advances in coal prices will necessitate similar advances in the prices of all manufactured goods, in the production of which the coal in question is used, in consequence of the resulting increase in the cost of their production. In due course therefore, the miners will seek and obtain a further increase of wages "in accordance with the agreement," and corresponding advances in the prices of coal "will be permitted," followed automatically once more by corresponding rises in the prices of dependent manufactured articles. And so on **in vicious circle**. The question is, can this process be continued indefinitely, or is there an economic limit to its repetition?

22. The case of the B.C. miners is quoted because, in virtue of the agreement referred to, they enjoy a practically automatic adjustment of wages to counterbalance the rise in the cost of living. As this agreement is by way of being compensation for the loss of the power to strike, of which the miners have been deprived by statute, it may be taken for granted that it represents no more than they could have secured for themselves by striking. It may therefore, also, be taken for granted that other organized trades, through their power to strike, are also more or less in a position to secure for themselves similar adjustments, whenever the cost of living presses uncomfortably on their wages. The One Big Union movement is intended to confirm this power of commanding wage adjustments by consolidating mutual sympathy between different trade organizations.

23. The present state of the matter appears to be that, whereas Labour continues to press for higher wages and shorter hours with a view to securing an adequate standard of living and adequate provision against old age and adversity; Capital, through its power of market, continuously annuls every advance of Labour by raising the prices of staple commodities, and maintains intact the profits of Capital by throwing the burden on the consumer. The sympathy of the middle classes, which derive a part of their income from the profits of capital investment, inclines rather to the side of Capital than of Labour.

24. The real bone of contention as between Capital and Labour is the matter of the profits of Capital. Labour claims that these profits are excessive, and calls to witness the extravagant establishments of capitalists, and the relatively large number of millionaires discovered in recent times. Capital, on the other hand, denies that its profits are excessive; and warns Labor that further encroachment may drive trade out of the country and reduce employment. This kind of retort labour treats as bluff, and proceeds to call the bluff by extending and strengthening the bonds of union.

25. In a speech in the British House of Commons last February (as quoted in the Overseas Daily Mail of 15th Feb., 1919) "Mr. Lloyd George told the House some simple economic truths about unemployment. He insisted that confidence must be given to those who were restarting the wheels of industry and commerce. He laid particular emphasis on the elementary doctrine that, if the cost of production became too high, disastrous unemployment would follow. . . . He was at great pains to expose the fallacy that a mere reduction of the hours of labour, with the payment of the same wages, would provide more employment."

26. But in this Mr. Lloyd George does not go to the root of the matter, in that, while tacitly suggesting that it is up to Labour to go easy in the matter of hours and wages at this critical juncture, he ignores the other side of the matter, viz.: that there is the same urgent necessity for Capital to sacrifice a part of what it considers its just reward in profits as for Labour to forego a part of what it considers its just reward in wages. Indeed, the moral obligation resting on Capital to undertake the bulk of the sacrifice is beyond the need of argument, if the statements current with regard to the huge profits that have accrued to the converted industries during the war are true. **If these statements are not true, it is up to capital to come out into the open and exhibit the demonstration.**

27. In the old days of the open market, the profits of Capital were kept down to a minimum by free competition. If, for any reason, the cost of production of any commodity becomes reduced, and the profits derived from the marketing of that commodity accordingly increased, the manufacturers were naturally tempted to enlarge their output so as to make full use of their opportunity. Possibly also other manufacturers were induced to enter into competition with them so as to share in their enviable prosperity. Under certain circumstances it was possible that the price and the high rate of profit could be maintained for some time in face of enhanced output. But as soon as supply began to exceed demand, the excess output could only be disposed of by reducing the price

so as to bring it within the reach of a wider circle of consumers; and this process of reduction of price and expansion of market continued until the profits were reduced to the **worth-while minimum**. Thus the benefits of diminished cost of production in such cases ultimately reached the consumer. Millionaires were not so plentiful then as now.

28. In these latter days of combination, as regards both Capital and Labour, with the resulting elimination of free competition, the whole outlook of business has been changed. Concurrently, the applications of machinery, both mechanical and electrical, have been greatly extended, and factory organization has become much more complex as well as more efficient. As a consequence, the entry of a new manufacturing outfit into any field of industry is much more difficult now than formerly; so that the organisation of industry as a whole has become more or less a closed circle of corporations, with great power of resisting outside interference. In particular, as already pointed out, organized capital has succeeded in establishing the principle that **excess profits, arising out of improvements leading to diminution of the cost of production, are the sole property of Capital**; while the consumer must pay for all increments of cost of production arising out of wage advances.

29. There is, on the other hand, another aspect of the matter which should not be overlooked in searching for some way of escape from the financial impasse. In the old days of individual enterprise in industry, it was at least morally possible for a manufacturer, handling only his own capital, to offer his product at a fair price, including a fair return for the capital invested, even when circumstances permitted him to hold the market for a higher price. But the board of directors of a modern company, handling the investments of share holders who have no other interest in the concern than the dividends it brings them, appears to be morally bound to shape the policy of the company so as to earn the **greatest possible returns** for the capital invested, and that independently of all other considerations not actually imposed on them by law. In a word, **the modern manufacturer, who is with few exceptions financed by a limited company, is ipso facto, and all the time, a PROFITEER!**

30. It is therefore characteristic of modern methods of production and distribution, that the prices of all staple commodities should include, not merely a fair return, but the greatest possible return, for the capital invested; and it is foolish and ineffectual to levy charges of profiteering against individual capitalists for carrying out the rules of the game with distinguished success, merely because according to these rules the

capitalist's own share of the successful operations runs into millions. **The defect lies in the rules of the game, which should be promptly amended.**

31. How long Capital can continue to reply to the encroachments of Labour by boosting prices, instead of cutting its profits, is, in the financial sense, a matter of circulation.

32. It is necessary to distinguish between "actual" and "potential" circulation. The actual circulation for, say, any specified week, may be taken as the sum total of the retail business, cash and credit, for that week,—local, provincial, or national, as the case may be.

33. The potential circulation is not so easy to define; but may be taken roughly as the sum total of the wages of labour for the week; including a sum equal to the total weekly average of all incomes other than wages, less such portions of these as are paid out in wages of service, which are already included in the wages of labour.

34. In short, the actual circulation is, roughly speaking, the total household and personal **expenditure** for the week, exclusive of the wages of domestic service; while the potential circulation is the total net **income** for the week, after the wages of domestic and personal service have been deducted from the incomes out of which they were paid, so as to avoid counting them twice.

35. The marginal difference between actual and potential circulation represents the weekly savings of the community, which may either be held over, deposited in banks, insurance or friendly societies, or invested in stocks; and it is by exploiting this region of finance that organized Capital attracts to itself the margins of all other classes of society,—and breeds millionaires by the score or hundred.

36. Obviously every advance in wages increases the potential circulation in the community concerned; and the new margin is in part devoted, in so far as it is not covered by back debts, to enhancing the standard of living of all classes, as it slowly percolates, by the common channels of trade, through the whole fabric of society; while the unabsorbed remainder trickles back through the banks and other financial agencies into the coffers of capital investment. The former represents the increase in actual circulation, the latter the increase in savings, resulting from the wage advance referred to.

37. A rise in prices, of course, keeps down marginal savings by converting them into, or constraining them to remain in, actual circulation; so that it may be said that capital accomplishes its purpose by constantly pressing the actual circulation up as near to the potential as possible, so as to

convert the potential marginal savings of society into the actual profits of capital. The fluctuations of bank deposits—particularly those of the savings banks—as indicated in banking returns, probably furnish important clues to the market bosses in regard to the regulation of prices.

38. This brings us to the crux of the matter. If, in effect, every advance in wages means an increase in potential circulation,—and Capital constantly contrives to keep the actual circulation as little below the potential as possible— then **there must be a corresponding expansion of currency to convey the expansion of circulation involved in every advance of wages.**

39. Now there are two, and only two, forms of currency in use in modern business, both paper. The one is the authorized paper note currency controlled by law in relation to the gold reserve (with an inconsiderable margin of silver for small change). The other is what is known as "deposit currency," is autographic (cheques, etc.) and limited in amount only by the judgment of the bank agents, with the whole realisable material wealth of the community for superior limit.*

40. As long as deposit currency is short of its superior limit it retains some measure of expansibility, and circulation can be so manipulated as to carry an advance of wages and a corresponding advance of prices.

41. It appears therefore that as long as the natural resources of a country continue to yield new sources of realizable wealth, that is so long as that country remains habitable, wages and prices can be alternately raised in endless sequence, while the present system continues.

42. It has been shown that the immediate cause of the present "impasse" between Capital and Labour, and of the high cost of living as well, is the fact that Capital, by organization, and consequent power of market, is now able to render every victory of Labour ineffectual by shifting the burden of it on to the shoulders of the whole community (including Labour) in the form of price advances; but that in order to do this continuously Capital depends on the machinery of the modern credit system which provides an elastic margin of autographic currency, supplementing the authorized currency, and subject to no limit but the judgment of the bankers and the amount of bank deposits available at any given time.

*It is to be remembered that the term "Bank Deposits" includes not only cash deposits but also all notes, covering any sort of realizable property, on the security of which the bank is willing to advance a credit.

43. If therefore some means could be found to check the expansion of credits by which the volume of circulation is increased, Capital would be brought to bay, and the final struggle with Labour precipitated.

44. A measure of this sort might be the regulation of the bank rate of interest by the financial department of the government, or any authorized commission for the purpose, so that a rise in the average price level of a chosen group of staples was followed closely by a suitable rise in the rate of interest. The effect of this would be to check the issue of credits, and thereby to reduce employment and circulation; so that consumption at the advanced price level would suffer shrinkage, and render advisable a return to the previous price level.

45. Thus the price level of the selected group of staples would tend to remain steady,—or to oscillate slightly about a steady mean value,—under this treatment, which would be superior to any method of fixing actual prices, inasmuch as it would allow a certain amount of self-adjusting play of price among the items of the group in response to natural fluctuations in the supply of raw material, while keeping the total cost of living roughly constant, so far as these items are concerned.

46. If instead of a chosen group of staples, the weekly budget of an average family of, say, five persons, including all items, in their proper quantities, requisite to the maintenance of an adequate standard of living, in each of the principal cities of the country, were made the basis of this adjustment of rate of interest, the general effect would be to render the cost of living of any average family practically constant.

47. Prof. Irving Fisher, in his monumental work on "The Purchasing Power of Money," discussing the problem of the variations of the purchasing power of money, says:

"One method of mitigating both of these evils is the increase of knowledge as to prospective price levels. As we have seen, the real evils of changing price levels do not lie in these changes *per se*, but in the fact that they usually take us unawares. It has been shown that to be forewarned is to be forearmed, and that **a foreknown change in price levels might be so taken into account in the rate of interest as to neutralize its evils.** While we cannot expect our knowledge of the future ever to become so perfect as to reach this ideal, viz.: **compensation for every price fluctuation by corresponding adjustments in the rate of interest**—nevertheless every increase in our knowledge carries us a little nearer that remote ideal."

48. Apparently Prof. Fisher has his mind focussed on the stabilization of the dollar rather than on the stabilization of the cost of living; for it appears obvious that a knowledge of prospective price levels is not necessary for the stabilization

of the cost of living any more than a knowledge of the windings of a road is necessary for the steering of a car. With an accurate picture of the road in his mind and a perfect knowledge of his car, a chauffeur might conceivably steer his car with his eyes shut; but he can still put his car safely over an unknown road by sight and judgment taking the windings as they come. So it ought to be perfectly practicable to correct the fluctuations of the cost of living, under any ordinary circumstances, by adjusting the rate of interest from day to day, or week to week.

49. There is this important difference between the steering of an automobile and the stabilization of the cost of living, that in the latter case the controlling commission or authority would have to do with a machine that was alive and intelligent—more like a well trained team of horses than a mechanical agent—and the probability is that, after a little experience of the “gentle chafing of the bit,” the great producing, manufacturing and distributing bosses would feel constrained to get together and create a new industrial organ of their own—a sort of engine governor—the function of which would be to adjust mutually and continuously the constituent prices of the “Weekly Budget” so as to maintain it at a dead level.

50. If that happened, the action of the “rate of interest control” would be reversed and the commodity market would correct the money market **so as to stabilize the dollar.** At the same time the operations of the government authority would become limited to the adjustment of international price levels, and to the incidental adjustments of local price levels that follow therefrom.

51. If, finally, the League of Nations were to adopt this method of stabilizing the cost of living throughout the territory controlled by it, the various rates of exchange as between the constituent nations would also thereby become stabilized.

52. BUT—will say the exponent of “things as they are,” no existing government or legislature would for a moment listen to such a proposition! So much the worse for existing governments if that is the only criticism they have to offer. The winter of war is over, and the time of spring cleaning has come. It is a good time to move the furniture about a bit, and change rooms!

53. Assuming then that the proposition is feasible, it is worth while to expand a little in detail, to develop the picture.

54. The foolish, because ineffectual, “chase in the ring” between Capital and Labour, which bids fair to make this generation the laughing stock of posterity, would come to an end; and whatever issues might remain between the two combatants would thenceforth have to be settled on their merits. Wage advances, in effect, could no longer be financed

out of price advances at the expense of the consumer, as formerly; but solely, in the first instance, out of the excessive profits of capital; and, subsequently, out of their only legitimate source, the enhancements of income arising from all kinds of improvements of machinery, process, and organization calculated to reduce costs of production.

55. The operations of the speculating middleman "on Change" would be greatly curtailed if not cut out altogether. Such operations depend for their profit on price fluctuations, and every kind of trick, that will create artificial price fluctuations is resorted to in the hope of turning a big deal and realizing a fortune "overnight." With such fluctuations reduced to a minimum the source of their profits would probably become evanescent, and society would be relieved of the incubus of a considerable, and practically useless and false, item in the cost of production of its "weekly budget."

56. As for the consumer, the knowledge—or rather feeling—that his weekly household bill needed no effort of speculation on his part, or worry on that of his helpmate, would go far to banish nerve troubles from the list of common ailments, and that would certainly be one of the effects of stabilizing the cost of living.

CHAPTER III.

THE PRESENT OUTLOOK.

57. The situation both in Europe and America is a matter of very grave concern. At a time when the warehouses of the world are depleted of stores through the effects of the war, the policy of Labour threatens to precipitate a disastrous famine during the rigours of winter as if it proposed to starve humanity into submission to its will; while on the other hand the extravagance of governments and the very rich but accentuates the determination of Labour to persist in its policy of curtailing production so as to bring things quickly to a head.

58. There was a time when Labour was not very clear itself about what it wanted; but that day is passed; and today the working man stands inexorable in his demand for such a margin over the bare cost of living as will ensure for himself and his family a fair share of the good things of life, and adequate provision against old age and adversity.

59. The admission of Lord Shaughnessy, in a speech at the third annual banquet of the C.P.R. company at Montreal last April, is significant. Among other things he said: "I have just returned from England, where the labour situation is causing the greatest possible anxiety. The dispute is nominally a question of hours of work and rates of pay, but to my mind and from what I have seen there is something beyond that. There are not only these questions, but the question of social status of the men who form just as large a proportion of the work of building up industries by which the nation is to forge ahead as the capitalist and employers. The workman of the future must have such a social status that his wife and children live under different conditions than has the workman of the past. They must have an opportunity to enjoy the good things of earth as those in the higher positions of earth have been enjoying."

60. But Lord Shaughnessy's mood, however admirable, must have been more generous than communicative, for he omitted to reveal "how Samson was to be shorn of his strength."—how employers were to be made to yield up to their employees the means by which they could secure a larger share in the good things of earth, in face of the hard fact that such means would have to be paid for by corresponding increments added to the prices of these same good things!

61. What is to be done about it? Is it to be expected that Capital will voluntarily climb down and relinquish its practice of taking the greatest returns it can get for its investments; for not otherwise can Lord Shaughnessy's predictions of good times ahead for the working classes be realized!

62. It is vain to suggest any longer such feeble arguments as that the whole profits of capital, if redistributed as wages of labour, would effect but little improvement in the condition of Labour. Even if true, which is doubtful—**else Capital would already have placed the proof on record**—the luxury of the rich is an insult to the intelligence and industry of honest Labour; and Labour is determined to reduce the spread between rich and poor at least within much narrower limits. Witness Bolshevism, which is but the avenging spectre of poverty in revolt against the tyranny and selfishness of Capital.

63. The conclusion appears to be inevitable that there can be no relief from the high cost of living, and no real improvement of the status of Labour, apart from a drastic revision of the profits of Capital. Despairing of any other mode of relief from the greed and tyranny of capital, Bolshevism has swept away the whole institution in Eastern Europe, and commenced to build up a new social and industrial organization from the bottom. It is of course fiendishly wasteful to wantonly destroy the good there is in the existing system of in-

dustrial organization merely because the evil in it appears to defy reduction. And yet that is the spectre that will continue to hover over and threaten the existence of western society, in spite of its better education and broader civilization, if these matters are not attended to at once.

64. Should Capital prove refractory and resist all arguments in support of profit-cutting, then there are but two ways out of the woods. One is through Bolshevism and violence, from which Heaven preserve us! The other is through the constitutional methods of politics, and is the only way worth discussing at present.

65. The political situation in England, the United States and Canada, furnishes an important clue to the direction and magnitude of the political forces to be reckoned with in each.

66. Following the cessation of hostilities, the English electorate returned Mr. Lloyd George to power supported by a strong reactionary coalition House of Commons. The more revolutionary elements of Labour and female representation were severely trimmed. The country called for rest and stability rather than reconstruction or revolution.

67. Similarly in the United States, the polls left Mr. Wilson a Democratic President stranded on a Republican island, with the peace terms still to ratify and an unsympathetic Congress to baffle him. The country had taken fright at the revolutionary ideas of international policy being developed by the President and put him in check with a reactionary legislature.

68. In Canada the Coalition Government that was elected to win the war and sign the peace treaty remains to enjoy for a space the intoxicating fascination appropriate to the elevation of the new nation to the dignity of "trousers," oblivious of the unrest and turmoil of class strife that is raging around it.

69. There appears to be only one admissible interpretation of these phenomena, and that is that the power to nominate the Government—to swing the Ins out and the Outs in—lies with the non-labour, i.e., with the middle classes of society.

70. The political situation becomes clear when it is added that, whether the Ins or Outs are in power, or a coalition of the two—to make an Irish bull of it—**it is the middle class that rules**; and that, further, since the institution of the modern system of co-operative capital investment, which has given to middle class investors a substantial interest, as shareholders, in the great financial, industrial, and commercial

concerns of the country, the middle classes have been able to run the political machine in the interests of Capital, so that **the government of the country, which is democratic in form, has become plutocratic in fact.**

71. To put the matter somewhat differently, the community has become divided into two extreme camps, the wage earners of the labouring classes, and the dividend hunters of the middle and upper classes. The latter are further divided into Liberals and Conservatives, or into Democrats and Republicans, as the case may be; and so strong is this class of the community that either section commands an easy majority over Labour. Indeed both Liberals and Conservatives look upon themselves as national parties and not as sections of a class.

72. Crosswise to this cleavage of the middle class into Liberals and Conservatives, there is developing in these latter days, and particularly in Canada, a new cleavage. Hitherto included in the middle class political organizations, but gradually becoming more and more discontented at the treatment handed out to them by the other sections of their class, both from a commercial and from a social point of view, the farmers are at last pulling out and organizing as a separate class (The worm has developed something that looks like a backbone, and something else that looks like a mouthful of teeth, and has begun to utter strange noises which seem to have rather scared his quondam friend the gold bug at the polls in Ontario on a recent occasion.)

73. It is possibly too early to make predictions; but in the present desperate condition of Society the merest rift in the clouds arouses hope; and the secession of the farmers from the hitherto predominant class in the community appears at least to indicate a change in the political weather.

74. Among the hopeful signs in the new situation is the fact that the farmers' class is very large numerically, and their secession may succeed in removing the principal obstacle to the settlement of the otherwise apparently endless dispute between Capital and Labour, by ending the plutocratic rule of the dividend hunting majority.

75. Another hopeful circumstance is the natural sanity of the farmer's outlook. The farmer is neither a pure labourer nor a pure capitalist, but a labouring capitalist. He uses his capital to finance his own labour and his own enterprise. The up-to-date farmer is moreover the handiest and most self-reliant man in the community. He is teamster, butcher, carpenter, builder, mechanic, blacksmith, engineer, chemist, biologist, electrician, meteorologist, clerk and politician. He is always getting into trouble and is therefore an expert in getting out of it. What more do you want?

76. Perhaps in the past this driver of oxen has been a little slow. Well, what of that: he has always managed to keep your table supplied. And now that he is getting busy among tractors and automobiles—not to mention politics, why—"Nous avous changez tous cela" Which is French for "Keep your eyes peeled at the cross-roads!"

77. The public in the near future will be well warned that the aim of the farmer is to make the consumer pay him more for his produce; and that therefore he is a dangerous man to entrust with the levers—it used to be the reins—of government.

78. Here is something to think about in that connection. You can call it "A Pig Puzzle." Most Canadians have at some period in their lives raised pigs. Well, they all know that to kill a pig and dress and cure the meat costs only a fraction of the time, labour and expense required to raise the pig. And everybody knows that things are done much more cheaply by machinery and steam power in well organized plants, than by hand labour. Yet when farmers are getting 16 cents a pound for their pigs on foot, the consumer has to pay from 40 cents to 70 cents a pound for the cured meat, according to the cut. Is it not obvious that there is plenty of room for both the farmer and the consumer to get a better deal?

79. A similar state of things exists with regard to cotton. While the cotton farmers were complaining last spring that the prices they got for the raw material scarcely covered the cost of production, and were threatening to let 30% of their fields lie idle during the 1919 season if they did not get some guarantee of a more reasonable price, the Canadian cotton manufacturing companies were declaring 19% dividends on common stock and 20% on preference. Can you beat it?

80. It is only big corporations that can hold the community up for such prices as are prevalent today and at the same time soak the producers of the raw material. **The farmer is harmless as a public menace; he does not handle enough capital to engineer a hold up.**

81. Suppose then that the electorate backs the farmer candidates at the polls, if only to see whether a change will relieve the deadlock, what is the program required to correct the evils that have accumulated during all these years of plutocratic government,—without destroying the good that undoubtedly has been realized, but for which capital has taken too generous a recompense.

82. First of all is the "Stabilization of the Cost of Living," which, if realized by the continuous adjustment of the rate of interest, will really amount to stabilizing the dollar. The true economic function of government in a free democracy is

to maintain a stable currency of constant purchasing power, and leave production and prices to the natural balance and free play of the economic agencies concerned.

83. The second desideratum is the regular public audit of the accounts of all companies engaged in supplying "The Weekly Budget," so as to expose accurately the mode of disposal of the margin between price and cost, knowledge of which is an indispensable item in the settlement of all disputes between Capital, Labour and the Consumer.

84. The third desideratum is the conversion of the wage-earner into a co-operative capitalist, holding stock in the company which employs him. When that is realized on a proper scale, the organisation of all industry will be truly co-operative so far as class interests are concerned; and we shall hear no more about deliberate curtailment of production on the part of union labour. The task of conversion will involve a substantial reduction in the dividends accruing to middle class investors, in consequence of the creation of the new "employees' " stock, which will to that extent tend to reduce loafing.

85. As for the general consumer, as long as the cost of living is held steady for him he can work out his own salvation by making a special effort to improve his income from whatever source it may be derived. He will at least have the satisfaction of knowing that, when he has succeeded, the betterment will be real and will not vanish away in the mists of a higher cost of living.

86. We have won the war, but are in danger of losing the peace through the aftermath of Bolshevism. The free peoples of the world have fought for the sovereignty of the people as against the tyranny of the state; but Bolshevism threatens to engulf the world in a reign of terror in which the bourgeoisie and the proletariat simply change places—and clothes. The spread of Bolshevism to the victorious free nations would sweep away what they fought and bled for—**the freedom of the individual to develop his individuality with the least possible restraint from the constituted authority.** To precipitate that disaster it is only necessary to prolong the present condition of labour unrest a little longer; and there is no way to avoid the disaster which does not involve the restoration of the profits of capital to a fair proportionate distribution among all sections of the community. After that has been given effect to, **all further betterments are derivable only from one source, the diminution of the costs of production and distribution by improvements in the methods of production and distribution.**

W. WALLACE.

Campsie Mains
Linfield P.O., Alta.